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BUDGET SPEECH

OF

The HON. C. R. MITCHELL

TREASURER OF THE PROVINCE OF ALBERTA

Delivered on the 9th March, 1916

IN THE

LEGISLATIVE ASSEMBLY OF ALBERTA

On moving the House into Committee of Supply

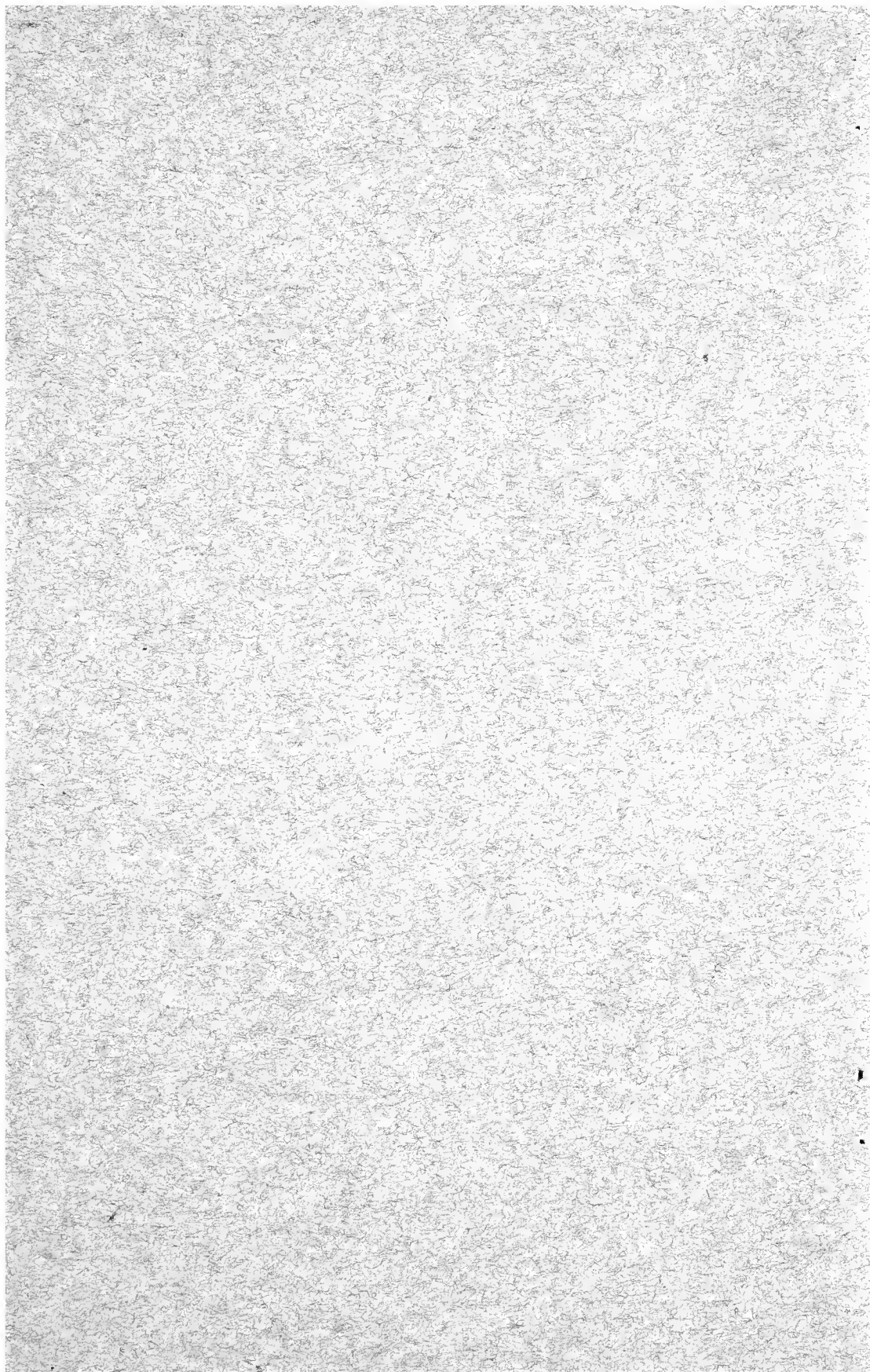
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BUDGET SPEECH
DELIVERED BY
HON. C. R. MITCHELL

Treasurer of the Province of Alberta

THURSDAY, MARCH 9th, 1916

Mr. Speaker,—In moving that you do now leave the Chair in order that the House may go into Committee of Supply I feel it necessary to make some remarks with respect to the general conditions of the Province, the public accounts for the past year and the estimates for the current year, and I desire also to make some observations with respect to other matters of public importance which are of interest to the members of this Legislature and to the public generally. Since the budget was presented to this Legislature in March last a notable change has taken place in the financial condition of the people of Alberta, and particularly with respect to the farming community which comprises so large and important a proportion of our population.

GENERAL CONDITIONS

In the year 1914 two factors contributed to the unusual and exceptional depression experienced in some portions of this Province, namely the disturbing conditions occasioned by the sudden outburst of war in August of that Year, and a partial crop failure due to an unusual drought in the southern portion of the Province. This depression was not confined to the Province of Alberta but was general throughout Western Canada. In 1915 our Province was blessed with the largest and most valuable crop in her history, resulting in a revival of her former prosperity and a betterment of conditions generally throughout the Province. Witness the sudden increase in railway earnings, and the additional employment thus afforded; the increasing purchasing power of the people as the crop was being marketed; country merchants finding their cash sales increasing and their book accounts being paid much in advance of previous years; wholesale houses distributing on a much larger scale; loan companies reporting, with some exceptions, that interest payments are being well met and while re-payments on principal sums are not generally looked for at present it is predicted that in most parts of the country the increased crop, in some sections almost a three-fold one, will enable farmers and others to not only wipe out their floating debts but show a surplus to apply on reduction of mortgage liabilities, and on the purchase of improved types of live stock and the betterment of the means whereby labour may be applied under the most productive and scientific methods.

Nor has this condition been brought about by the filling of large munition orders at highly profitable prices, as in the case of the Eastern provinces and to a less extent in the West, but by the unprecedented response of nature in co-operation with the more than normal efforts of our people exerted primarily to assist in satisfying the almost immeasurable war requirements of Britain and her Allies, a striking tribute to the matchless ability of Britain's statesmanship in creating in her people settled in the outposts of

the Empire that respect and loyalty which alone can willingly impel people representative of every nationality to spontaneous and common effort to do "their bit".

Nor has this Province contributed of its agricultural resources alone; large drafts of the country's best manhood have also been furnished. There has been a "rush to the colours" from every walk of life on a scale more generous than the response from any other portion of Canada, including, I am proud to say, no less than seven members of our Legislature, four of whom have already reached the firing line.

PRODUCTION

Turning now to the question of production in Alberta, let me say that no country which does not produce all that it requires for its own use along practically every line of consumption can grow wealthy without the aid of capital from abroad, and this can only be legitimately accomplished by producing a surplus for export.

The distribution of wealth among individuals of the state may change without the aid of an influx of wealth, but the increase in its total wealth depends upon acquisition from without, by the sale of what is produced within its borders; in the case of Alberta chiefly from the sale of her farm products and the produce of her mines and forests.

Alberta must depend for its wealth upon her farms, her mines, her timber resources, her fisheries, now being developed and, in time, her oil fields. It is to be hoped that the stimulus of the great wealth producing crop of last year will be followed by others in succeeding years, as seems likely at least for the current year, and it would appear that the country is now on the eve of a new period of greater effort and increasing prosperity, a prosperity which I believe can be utilised the better for the improvement of the conditions of our people by reason of the experiences of recent years.

I hold in my hand a statement showing the estimated yield and value of agricultural products for 1915. The total value of agricultural products is \$111,022,650.00*, an increase of \$32,485,769.00 over last year. Livestock in the Province in 1915 \$110,625,000.00*, an increase of \$199,665.00. The export of this produce of the soil and the resultant influx of money from outside the Province will lead to individual prosperity among all classes, add to the general wealth of the people, increase our ability to improve social and economic conditions, establish firmly the credit of the people, give added stability to Provincial financing, and make of us a country upon which, when we have attained our highest pitch of development, Britain may with pride and confidence rely in an ever increasing measure for her food supplies and the moral and material support which has proved so important in this her time of trial.

To sum up the general business situation, therefore, it would be fair to state that generally speaking in Alberta the tide of speculative business is at its lowest ebb, that farm values are steady and only await a renewal of immigration for a decided increase in activity; manufacturing establishments, particularly flour mills and plants capable of turning out munitions, are running at full capacity; general commercial trade is good with indications of future improvement, excepting in so far as the heavy enlistment of our best men

*See Statement No. 1.

for overseas service may temporarily arrest our development and render more difficult the conduct of farming operations.

In connection with the products of the farm as I have said, I hold a statement in detail of grain production alone, irrespective of roots, and in grain alone the estimated acreage of 3,184,500 acres produced 124,800,000 bushels of grain representing a value of \$68,000,000.00*. This I think is a very important consideration for those living in the Province of Alberta and I believe it is one that will have a very important bearing on the future of our Province.

PUBLIC ACCOUNTS

Turning now to the Public Accounts for the year 1915. These have already been laid before you and contain a detailed statement of the receipts and expenditures of the Province for the past year together with the usual summaries of the various expense and revenue items showing the financial position of the Province. In 1915 there was expended on income account a sum of \$5,714,031.94 and our revenue on income account for the corresponding period amounted to \$5,143,590.01 showing an over-expenditure as against revenue of \$570,441.93.** This is the position of affairs at the close of the year 1915. This, however, is off-set by the fact that at the end of the year we had a large amount of revenue, which although it had been earned, although there is ample security for its payment and although there is absolutely no doubt as to its eventual collection, nevertheless we were not able to collect it by the end of the year, and in that way there was a large amount outstanding, namely \$703,913.85. The particulars of this comparatively large amount are as follows: Balance due under the Wild Land tax levy of 1915 \$542,992.00 and uncollected Succession Duties \$160,921.45. To this might be added the amount uncollected on Educational Taxes which would make a total of almost \$744,000.00. This you will see is considerably in excess of the deficit as shown on income account, and if it had been collected in the usual course would have given the Province a surplus of \$173,471.92. So that members of the Legislature will see that although times have been hard and circumstances have been unfortunate at the same time we have been able to confine our expenditures considerably within the amount of revenue which we have actually earned, but a portion of which we have not at the end of the year been able to collect. I think this condition of affairs is a matter for some congratulation on our part because there is an impression abroad that owing to the unusual conditions of Alberta and Canada generally, and, indeed the World over, that we were as a Province financially running behind, whereas the fact is we have kept our expenditures within our earnings. It would be a simple matter, and I am favorably considering the matter of asking this House for legislation to enable us to borrow on short term securities, say in the form of Treasury Bills at one, two or three years, a sum sufficient to cover any temporary shortage in income. Allowance should be made for the fact that in connection with Provincial financing we can only take into account the actual cash which we have been able to collect and not the amount earned in the year. That may appear a serious matter so far as book-keeping is concerned, but it is not a serious matter as regards the

*See Statement No. 1.

**See statement No. 2.

ultimate result because we will be able to acquire in the course of a year or two years sufficient money to retire these temporary loans from the deferred revenue which by that time will have been collected. This is no new thing; the chief cities of the Province have already borrowed against their deferred revenue. The case would be different if we had not earned this money. If we had estimated that we would derive a certain amount from the Land Titles Office and we had failed to earn that amount the situation would be entirely different, but with respect to the \$743,000.00 of deferred revenue which I have mentioned, and which is almost \$200,000.00 in excess of our deficit, that amount of revenue has been earned and will be collected and any securities that this Province may float, either temporary or otherwise, against that deferred revenue in order to enable us to have the immediate benefit of the money, will not become a charge upon the Province in the future but will be retired and taken care of annually as the tax comes in.

As you know the Wild Land Tax was only imposed for the first time in 1915. The whole of the machinery for the collection of that tax had to be created and put into operation. It was late in the year before this was made possible and considering the fact that the assessment could not be made much before September or October, and considering the stress of the times we are passing through I consider it a remarkable circumstance that the Municipal Department has been able to collect almost \$200,000.00 of that levy of over \$500,000.00.

The Telephone System after providing for sinking fund payments of \$44,509.80 has a surplus on income account for 1915 amounting to \$27,892.70 and that system now has an accumulated surplus of \$335,375.15. It is a matter for congratulation that this system has been able to lay up in past years a cash surplus of over \$300,000.00 and at the same time keep the system in a splendid state of efficiency. There have been times in this Province when everything was booming, when people were coming into the Province faster than accommodation could be found for them, and when complaints were made about the inadequacy of the telephone service of this country, but that time has gone by. The Province has grappled with this situation very thoroughly and in the larger centres, new and increased facilities and exchanges have been installed. Rural lines and circuits have been spread over this country and while there are thousands of miles of rural lines yet to be built we must all recognize and give the Telephone Department credit for the fact that in a few years a very large portion of this Province has been covered by a net-work of telephone lines, to a much greater extent indeed than would have been possible had this system remained in the control of private interests.

On the 31st day of December our bank balance amounted to \$711,393.10. That is the amount of actual cash in the bank and is found by looking at the recapitulation statement in the Public Accounts which have been laid on the table. I should draw the attention of the Leader of the Opposition to the fact that it has been the policy of the Government to keep the accounting of the Telephone System apart from the general accounting of the Province so that when he is looking for this item of \$711,393.10 he will find a certain balance under the general revenue, and he will find another cash balance under the Telephone recapitulation, so that I hope that

his mistake of last year and of former occasions, will not be repeated again this year.

The deficit of something over \$500,000.00 which I have already referred to is accounted for chiefly through shrinkage in revenue. That shrinkage in revenue roughly estimated is about equivalent to our deficit, or, in other words, our general expenditures have not been largely increased—in fact they have been kept for the most part equal to the expenditures of the previous year. It is only natural to expect that there might be a deficit in some of the departments. For instance in the Municipal Department we show a deficit, an actual deficit over the estimated revenue as laid down last year of \$330,785.20. This is due to the fact that in the estimates presented last year we estimated we would get something over \$500,000.00 from Wild Land Taxes while in reality we hardly got \$200,000.00, so that in that one item alone there was a shrinkage of revenue of \$330,000.00 or thereabouts. Then the Attorney-General's Department experienced a similar shrinkage in revenue. As you know the Land Titles Offices are not doing the business that they have been doing heretofore. The liquor licenses dropped off; fines which the Province had been accustomed to receive from time to time were materially reduced. This does not indicate that the convictions were any less numerous but simply that those who were convicted had less money in their pockets to pay the fines and consequently we were under the responsibility of paying for the keep of these people who served prison terms rather than pay the fines. In these various ways the shrinkage of \$234,572.16 in the Department of the Attorney-General is accounted for.

There were some departments in which we had a considerable increase in revenue but these increases were more than off-set by the necessarily increased expenditure. For instance, in the year 1915 we were obliged to pay out in the way of school grants \$89,243.41 more than we estimated. This was particularly due to the fact that the Department of Education was aggressive last year in compelling as many schools as possible to operate. The Minister of Education decided that so far as he was able to do it every rural school in this Province would be put into operation. The effect of that decision is that in addition to the very large provision which we made last year amounting to \$570,000.00 we were obliged to spend \$89,000.00 more. Then as you know the Liquor Act was voted upon and that vote cost this Province \$166,082.94. We only placed in our estimates a comparatively small item to cover that vote, we did not know what it would cost and we were, as it happened, below the mark. So that from these two items alone we were obliged to expend the sum of \$255,326.35 more than we estimated would be the case. The situation is that our shrinkage in revenue practically accounts for the deficit—that being the situation at the close of the year.

ESTIMATES, 1916

I will now deal with the estimates for 1916. A perusal of these estimates, which have been on the table now for some days, will reveal the fact that we estimate a surplus for the current year. That surplus will be a very small one, and, of course, it is more or less problematical. I would like to say right here that there have been some more or less incorrect statements published in the press with respect to our expected surplus for the year 1916 and I know

that members of the Legislature will know that I personally am not responsible for the methods by which some people make their calculations. It was unfortunate that an erroneous impression should have got abroad through the medium of a portion of the press, but so far as these statements are concerned they were correct enough in themselves except that they did not tell the whole story. They took into account the proceeds of a loan which we expect to float during the current year so that the surplus was a surplus of income and capital combined. I want to be as fair as possible and deal only with the surplus on income account, because that is really all you are interested in at the present time. The estimated receipts for 1916 on income account amount to \$6,084,740.65 and the estimated expenditure \$6,011,835.00 leaving a small surplus of \$72,905.65*.

I sincerely hope that we may be able to carry on our operations for the current year in such a way that that surplus will be realized—however, that is a matter of conjecture. In this connection I would like to point out that our revenues are not increasing to any material extent. Proportionately speaking our annual income is not increasing in the same ratio that the public demands for expenditures are increasing. That is the point I want to make, and it will be necessary in the future for the Province of Alberta either to restrict some of the public services which we are now giving and giving in a much more generous scale than almost any other Province of Canada is giving for similar service or to impose additional taxation. We have been following out a policy of great liberality; we have been spending very large amounts of money on the development of agriculture; we have been spending exceptionally large amounts on educational work and we will soon be faced with the question whether we can reduce some of these public services or whether we will seek some new means of implementing our revenue in order that this good work may be continued.

The estimates will show that instead of a decreased estimate for 1916 we are expecting to have an increase in our revenue of the sum of \$941,150.64; that is we estimate in 1916 we will receive over \$900,000.00 more than we received in 1915. In that amount, of course, there is included the balance of the Wild Land Tax of 1915. These are items which we are properly entitled to place in our column of expected revenue because the levy has been made and the money will have been earned—whether or not the whole of that money will be received in 1916 is another matter, but as I have already indicated we could, if we desired, obtain the whole of that money by means of borrowing on short term securities.

Our expenditures, on the other hand, for 1916 are not to be very much in excess of what they were in 1915. We expect to expend only \$297,803.06 more than was spent in the year 1915. So that while on the one hand our expenditures for 1916 are only slightly over those of 1915 on the other hand our expected revenue is considerably more. Apart from the Wild Land Tax income altogether it will be found that we have been estimating for 1916 in very many cases a fairly large amount over what we received in 1915, and we have based our calculations on our experience for the first two months of the year. The indications are that there will be a sufficient improvement in conditions to warrant our

*See statement No. 3.

expecting this increased revenue. These increases in revenue can be very closely criticised but I have no fear of the scrutiny on the part of the members of the House so far as the estimates of income or expenditure are concerned for the current year. These estimates have been made up with great caution, in considerable detail and with due regard for the conditions, which we are likely to experience during the coming year, keeping in mind our experience of the past two years.

1915 ESTIMATES COMPARED WITH ACTUAL REVENUE AND EXPENDITURE

I think it would be of interest if I read to this House a statement* of the estimated increases in revenue this year over what they actually were last year and also a statement of the decreases and a similar statement with regard to the expenditures. I think it would only be fair to give the House that information in detail and save the Leader of the Opposition and his supporters the necessity of going through the public accounts and figuring these things out for themselves. It will enable them possibly to facilitate the budget debate and will give them information they are entitled to have and which we are always pleased to give.

The Treasury Department expects to receive an increased revenue of \$127,713.79.

The Provincial Secretary's Department	\$ 47,943.45
The Education Department	\$ 3,506.65
The Agricultural Department	\$ 9,961.53
The Dairy Branch	\$ 13,827.82
Municipal Affairs	\$891,777.60

The Telephone Department expects to receive an increase of \$100,450.17 more than they received last year.

The Legislative Assembly expects to receive \$65.00 more and the Public Utilities expect to receive \$5,000.00.

Then there are decreases amounting to \$259,095.37. The total amount of the increased revenue which we expect to get amounts to \$1,200,246.01 and the total decreased revenue in certain departments \$259,095.37 leaving a net increase in revenue in 1916 of \$941,150.64. Now, with respect to the expenditures it is hardly necessary for me to go into the details because they are all in small amounts, the largest item being the item of \$130,302.44 in the Education Department. Generally speaking I may say that the increase in expenditure for 1916 will be \$297,803.06. I would not suggest that you deduct from the net increase of revenue the net increase of expenditures and expect to find the exact situation. These figures are all based on estimates and you will have to take into consideration the deficit of the previous year in order to arrive at the estimated surplus of \$72,905.65 which we expect to get.

PUBLIC DEBT

I will now proceed with the consideration of the public debt. On December 31st, it amounted to \$26,733,178.79 so that the total interest charge for the year 1916 including our new borrowings will be \$1,398,000.00

*See Statement No. 4.

That amount of interest charge for the present year is the maximum amount that we expect to be called upon to pay this year and I have even been fair enough to include in that amount the interest charges on the proposed loan of two million dollars for 1916. I have not taken the interest charges on the public debt as at December 31st, 1915, but have given you the interest charges as for the end of the current year. Now, let us analyse this amount; it seems a fairly large amount—some people will say it is approaching the danger point and that this is not a very hopeful sign. In connection with that let me point out that of this sum almost one half of the public debt is invested in the telephone system and other remunerative or self supporting services and these carry their own interest charges amounting to \$628,000.00. So that if we are to be fair we must deduct from the total interest charges the sum of \$628,000.00 which we are not called upon to provide in any specific way but which is provided in the ordinary revenues of the Telephone Department from month to month as they accumulate.

Mr. Michener: I suppose that includes the interest the Government is called upon to pay on guaranteed railway bonds?

Mr. Mitchell: It is remarkable the disposition of people on the other side of the House to paint the condition of the country the blackest possible. They seem to take a special delight in representing this Province in its very worst light. I don't think that is the proper attitude for members opposite to adopt. It might be all very well for them to, in a measure, almost slander the position of this Province when times are good; when the effect of such misrepresentation is more or less nullified by obvious prosperity; when money is easy and when people are not taking note of these things, but at a time like this I think innuendo of that nature is of the utmost seriousness. In order to be just the Leader of the Opposition should represent these things and ask these questions in such a way as will not cause the public to think that we have any large amount of money in default in connection with railway bonds. There was a small amount default in connection with the Lacombe & Blindman Valley Railway, a very small amount. There is no default in connection with our regular railway guarantee policy. We inaugurated the Light Railway more as an experiment than anything else, and I believe our experiment would have been successful in the extreme if unforeseen circumstances had not arisen because there is no section of the Province better than the portion through which this light railway runs. If it would have been a success anywhere in Alberta it should have been a success there. The same thing happened in this connection as has happened on many other occasions, the money markets became unsettled and it was impossible for this company to carry out its original financial arrangements. A much more important question which the Leader of the Opposition might have asked is, Why make provision in these estimates for the payment of the interest on the \$2,000,000.00 that was borrowed to enable a railway to enter the Peace River country. We have charged ourselves with the interest on two million which we will receive back, and I want to point out to the Leader of the Opposition that there might have been a way by which we could have accomplished the same thing and it would have reduced the interest charges of this Province so far as appearance is concerned, and I would have been able to make a much better showing.

Mr. Michener: I would like to ask whether the total of \$1,398,000.00 included this item of interest? I would like to have an answer to my question.

Mr. Mitchell: Put the question in the order paper and it will be answered.

Mr. Tweedie: What public utilities pay?

Mr. Mitchell: The telephone system is self sustaining.

We receive interest in connection with the grant of two million to the Central Canada Railway. That is included as part of our debt so that the interest—

Mr. Michener: Is it one of the utilities?

Mr. Mitchell: I was referring to the telephone system.

Then there is some capital advanced on seed grain and creamery loans which we will get back, and some advanced to school districts. There is the loan of the Alberta Co-operative Elevator Co. that I think we would be justified as considering as self sustaining, and that is about the sum total of them. At any rate the capital expenditure that was made in connection with these, and which are self sustaining, comprises almost half our Provincial debt.

Mr. Tweedie: Does the Hon. member mean to say the elevators are self sustaining?

Mr. Mitchell: They are, yes. It is true we have given them time on one of their payments. That also could have been paid but in order to carry out their operations to the greatest advantage we gave them a little time, and I am satisfied we will receive back all the interest on the money advanced to them. I would be very sorry indeed to think that the elevators could not be managed and put on a self sustaining basis, and I for one am not going to assume that these people cannot manage their own affairs in a country like this on a paying basis.

Mr. Michener: I would like to ask the amount of interest charged the Telephone Department?

Mr. Mitchell: I cannot give the Hon. member that information but I can give him the amount the Telephone Department expect to pay in 1916. The interest charge will be \$400,600.00, the sinking fund \$47,400.00, a total of \$448,000.00.

The interest charges on general revenue account for non-revenue producing portions of the debt is \$950,000.00—that is for the general revenue, telephones \$448,000.00, making a total of \$1,398,000.00.

Now then, deduct from that the sum of \$628,000.00 which comes from the revenue producing utilities and there remains a balance of \$770,000.00 which must come out of our general revenue; that is, instead of being called upon to pay over one million dollars from the general revenue we only have to provide \$770,000.00 from general revenue. Of course since all income goes into the General Revenue fund all such interest payments must be met out of the General Revenue fund.

Now with respect to the assets and liabilities of the Province. I have a statement here which, perhaps, I need not go into in detail, but briefly speaking it is this:

STATEMENT No. 5

Debt allowance.....	\$8,107,500.00
School Lands Fund	6,550,737.77
Loan to Alberta Farmers' Co-operative Elevator Company	613,398.37
Advance to Central Canada Railway	2,000,000.00
Seed Grain and Creamery Loan	61,607.48
Advance to School Districts	66,086.13
Telephone Plant	8,972,740.73
Cash in Imperial Bank	711,393.10
<hr/>	
Total Revenue Producing Assets	\$27,083,463.58
Public Buildings, Bridges, Roads, etc	12,337,096.86
Deferred Assets	84,588,074.87
<hr/>	
	\$124,008,635.31

There is one matter I would like to point out and that is, the revenue producing assets of this Province, i.e., our telephone plant and other assets which are revenue producing amount to more than our Provincial Debt.

Mr. Tweedie: What value do you place on the telephone plant?

Mr. Mitchell: We value it at what it cost. Of course there has been depreciation but this has been met by repairs and we consider the telephone system is practically as good to-day as it was when it was established by reason of the annual charges for maintenance which are paid for out of the income of the system. I have therefore placed the value of the telephone plant at the actual amount put in, namely, eight million dollars.

Mr. Crawford: I understood the minister to say that the telephone system made up about half of that amount.

Mr. Mitchell: I said the revenue producing assets including the amount advanced the school districts, the two million advanced to the Canada Central Railway and so on amount to more than all of the Provincial debt, and that the amount of our debt invested in revenue producing enterprises almost provides half the interest on the Public Debt.

Mr. Crawford: Do I understand that is the actual cost of the plant or are you allowing a certain amount for depreciation?

Mr. Mitchell: There is a large amount of money each year going into the telephone plant from income account which maintains it up to the standard of efficiency and I am not taking into consideration any of that expenditure. I am therefore only taking into consideration the actual capital outlay in the system. There is depreciation, no doubt, but that depreciation is offset by the heavy annual maintenance or upkeep expenditure from income account, so that one balances the other.

Mr. Tweedie: Is it in perfect condition?

Mr. Mitchell: It is the department's aim to keep it in perfect condition, and it is in good condition. The public knows the condition of the telephone system. The means adopted for maintaining the system against depreciation is, I understand, just the same as for other large telephone companies abroad.

VALUABLE PHOSPHATE DEPOSITS

Now, there is one matter I would like to refer to in connection with our assets in the Province—it is not in connection with any figures I may give, it is in connection with agriculture. We are in this Province wholly given up to agriculture and the people are taking out of the soil year after year everything that is possible to take. This means a drain on its fertility and in time a reduction in the ability of the soil to produce, and to that extent perhaps this asset is deteriorating. In this Province, however, there has lately been found a very large deposit of phosphates. In looking over the report of the Commission of Conservation I find there is a very comprehensive statement with respect to this very valuable asset. It is not an asset we can count in dollars and cents but it is a great natural asset and if you will bear with me I will read a brief statement from this report of the Conservation Commission:

Re Recent Discoveries of Phosphate in Alberta

“The importance of Phosphate is shown by the fact that it was suggested at the conference of the Governors of the United States held in 1908 that on account of the great value of phosphate deposits to the agriculture of that country, a law should be passed prohibiting the export of phosphate to foreign countries.

“It seemed, therefore, to the Commission of Conservation of Canada that it was of the greatest importance that similar deposits of phosphate should be discovered within the Dominion of Canada. These discoveries were made at a locality in the Rocky Mountains, situated in the Province of Alberta, 350 miles north of the nearest occurrence which is known in the United States.

“Dr. C. G. Hopkins in his book on Soil Fertility states that: ‘Phosphorus is the only element which must be purchased and returned to the most common soils of the United States. Phosphorus is the key to permanent agriculture of these lands. In 1913 there were 16,726,400 acres of land under cultivation in the three Prairie Provinces and the depletion per acre annually may be taken as equivalent to the phosphoric acid contained in 60 pounds of high-grade phosphate rock. At this rate 501,800 tons of high-grade phosphate rock would be required each year simply to offset the depletion of the land already under cultivation in Manitoba, Saskatchewan and Alberta.’”

And if the soil of Western Canada should ever require replenishment an abundant supply of phosphate may always be found in this Province.

I merely mention this because I think it is a matter of public interest to know that in the future when this country has reached a high state of cultivation and the soil is being drained of its fertility that there is in the country, near at hand, large quantities of this very valuable product.

RAILWAY GUARANTEE POLICY

With regard to our guarantee policy I take it from the records of the Railway Department that up to the present time the railway mileage guaranteed and authorised is 3,510, the mileage executed 2,535.97. The total amount of our authorised guarantee is \$59,410,450.00. At the same time I would like to give to this House the following facts: The amount of railway guarantees actually executed is \$43,100,450.00.

Mileage completed with steel laid 1,595 miles.

Mileage completed so far as grade is concerned 400.57.

This means that the percentage completed equals 70 per cent. of the total work to be done on the guaranteed lines, and by April 1st next it is expected we will have 186 additional miles and this will bring the percentage up to 76 per cent. of completed line. I think it reflects very favorably on what this Government has been able to do with respect to perfecting the railway service of this country notwithstanding the fact that some people think that the railway policy of this Government has not accomplished enough. They must be very hard to satisfy because I believe the farmers generally will realize that 76 per cent. completed is a pretty good programme particularly when we have experienced years such as the last two or three have been. We have as a result of our guaranteed policy the E. D. & B. C. and we have other railways running into the north and I think you could properly assume that this has been of some benefit to the country. I find that the portion of the Alberta crop that it is estimated will be moved by the railways that are the direct result of the Provincial policy is as follows:

The E. D. & B. C., 3,500,000 bushels;

The C. N. R., 20,493,000 bushels;

The Grand Trunk, 8,000,000 bushels; making a total of 31,993,000 bushels.

Take the specific case of the E. D. & B. C. That railway is not completed yet but a train service has been in existence for more than a year and we find that there was hauled over that line general supplies, settlers' effects, live stock, groceries, etc., exclusive of contractors' supplies, 5,000 cars. That is a good record. In addition, there was hauled in 200 cars of settlers' effects alone. Already there have been 30 cars of fish hauled south. There is now an opportunity for that country to be developed in a way that would not have been possible but for this railway.

As a result of the construction of this railway to the north there has been a mill constructed in this very city and that mill is now supplying timber and sawn lumber to the following points in the south: Gull Lake, Rush Lake, Medicine Hat, Carstairs, Didsbury, Wetaskiwin, Daysland, Trochu, Lacombe, Youngstown, Oyen, Calgary and other points. I have the word of the superintendent of the largest lumber concern in this Province, which have mills in British Columbia, that they are using the products of this mill in Edmonton and importing goods to the southern portion of the Province and can do it cheaper than they can bring it from their own mills in B. C. These are only incidents in connection with this matter and it is only in the beginning; we are only in the day of small things so far as the beneficial results of this railway policy of ours is concerned.

PROVINCIAL TAXATION

Coming now to Provincial Taxation. There is one thing I would like to say in this connection and that is with regard to the attitude of the present Government to the towns and cities of this Province. We are very much misunderstood in that respect. Year after year an impression has been created and fostered by the members of the Opposition that this Government is discriminating against the cities and towns, and I refer to this matter particularly

in order, if possible, to impress upon the mind of the public that no such situation as that exists. We do not place a Provincial Tax on anybody owning property in any city, town or village; no inhabitant is obliged to pay a Provincial Tax whether he lives in an urban municipality or whether he lives in a rural municipality. The only Provincial taxes which are paid by the people directly to the Province, for the purposes of the Province, is the small Educational Tax, and that is only, as you know, on lands which are not within the confines of a school district. The Local Improvement Tax, which is a tax placed on the lands outside of organised municipalities or organised Local Improvement Districts goes into a Trust Fund and does not form part of the general revenue of the Province. We only administer that as trust funds and we administer it in the specific area, in the unit, nine miles square, from which that tax is collected and not one dollar of that money goes for any other provincial purpose than for the improvement of roads and bridges in the unit in which it has been collected.

The Wild Land Tax is the only tax which can be considered of any general application to the people of the Province and that tax is of such a nature that it does not bear on the people generally but is a tax on certain classes of people only,—the speculators or the people who own lands and refuse to cultivate them. This tax I believe is the best form of taxation that it is possible for any Provincial Government to adopt, and after we have had the experience of several years in connection with this tax, when the machinery for the imposing and the collecting of the tax is running more smoothly, I believe it will be found that this tax will be popular, and most productive of results, not only with respect to revenue but also with respect to the indirect benefit to Alberta in that it is forcing people to cultivate and stay on the land who never did so before. I am informed by the Municipal Department that although they have no statistics on this latter point nevertheless they are receiving hundreds of letters from people who are paying this tax intimating that next year they will not be liable for this tax because they will be cultivating the land. Is any better proof wanted of the value of this form of taxation?

The Unearned Increment Tax is not an annual tax. It may never be paid by anyone who sees fit to hold his land and not part with it.

Any other form of taxation imposed in this Province is not a Provincial tax but is purely of a local nature and the Provincial Government does not get the direct benefit from it, neither does the Province have any say in the expenditure of the money.

(Question): Can you state what proportion of unearned increment tax was collected from the rural sections of the country?

Mr. Mitchell: We have no statistics of that nature, because the unearned increment tax comes chiefly from the towns and the cities. The exemption from the tax is so large in the case of the farmers that necessarily we get a very small amount from that source. The whole increment tax for 1915 did not amount to over \$36,000.00 and is only a mere trifle. With reference to the court fees it is a very difficult matter to ascertain what portion comes from the towns. Of course, the fees are payable in the towns. The only revenue we get from the cities and towns that can be correctly ascertained would be one half of the liquor license fees, which after July 1st will be non-existent, and the pool room licenses, and after

July 1st we will not be taking anything from the towns.

Now then I want to see how cities and towns in other provinces are treated. I find in the present session of the Manitoba Legislature there was passed a bill in connection with one of the Judicial Districts which imposed on that district the necessity of paying for the capital expenditure on the Court House and Jail and placing an assessment on the people who live in that district for that purpose. The City of Winnipeg has had to contribute by way of municipal taxes the sum of \$60,000.00 towards the upkeep of the Court House and Jail for the Judicial District in which the city is located. The City of Toronto has been obliged to pay over the sum of \$565,315.00 for patriotic purposes. The whole war tax of the Province of Ontario amounts to two million. Alberta has not yet imposed a tax of that kind. We are endeavoring as best we can to get along for the time being at any rate without any new form of general taxation in this Province. I have already shown this House that our Provincial taxes are almost negligible, and we are not expecting in the near future at any rate, unless circumstances change and this war is unexpectedly prolonged, to impose any new form of taxation. Any additional taxes imposed at this session of the Legislature will be simply an expansion of existing forms of taxation. It is possible we may amend the Corporation Taxation Act so as to include Hail Insurance companies, certain joint stock companies, and also we propose to place a tax on foreign companies which are operating in this Province and which, up to the present time have never paid a tax and which ought very properly to pay a tax to this Province if they are to operate and do business in this Province. Apart from that there will be no new form of taxation in the Province during the coming year.

PRISON REFORM

I would like also to refer to one very important work that is being carried on in the Province—it is being carried on also in the Provinces of Ontario and Manitoba—and that is the great work of prison reform. That work has nothing to do with the particular matter in hand today but it is an indication of the progress that this Province is making along these lines, and I would like to point out that the appropriation which it is necessary for us to make in connection with the institutions in this country for the care of the insane and the care of criminals is growing year by year. We are already authorising a very heavy expenditure indeed on that account. This is no fault of the Government, it is simply a matter of the natural growth which has occurred from year to year, and, if the arguments and statements of some people are correct, it is hoped that these may be reduced in the years to come as the result of the elimination of the liquor traffic from the Province. Whether that is a correct assumption or not I am not prepared to say. I believe it is expected that there will be an exceptionally heavy expenditure in connection with the enforcement of the Liquor Act, an expenditure which perhaps may not be measured by the amount which we have placed in the estimates. I believe that the additional expenditure will, in a measure, be offset by a possible reduction in the cost of maintaining the prisons of this country. The estimated expenditure which we have provided for the enforcement of the Liquor Act is practically the same as we proposed to spend last year in connection with the Liquor License Department. This Government is prepared to spend all the money that is necessary in order to have

a thorough and proper administration of the Luquor Act in so far as it is humanly possible to enforce an act of that character. I believe we will be successful in that respect because we have at the outset what other countries in similar circumstances have not had, that is we have behind us the great body of public opinion in favour of enforcement of the Act and in favour of the curtailment of the sale of liquor, so that it is to be hoped we will be able to enforce that Act although the expenditure that is involved will probably be much heavier than the estimates would indicate.

PROVINCIAL GAOLS

Permit me to deviate for a moment or two to call the attention of the House to the splendid work being accomplished by our Provincial Gaols—and I speak with special reference to the institution at Lethbridge in as much as it is our oldest institution.

This institution was opened in July, 1911, and from the outset the system of handling the men has been the most approved and up-to-date. The men are allowed the greatest liberty consistent with safety. The guards employed act as foremen or directors of the work undertaken and not as regular police or guards. The men are dressed in ordinary workmen's clothing, so are saved the humiliation usually attached to ordinary prison uniforms. There is a farm of 680 acres in connection with the prison and the men are worked outside on the farm every day that it is possible to have them out—thus securing for them the highest degree of physical benefit from exercise in the sunlight and the open air, and naturally they are benefited morally as well. This farm produced a splendid crop last year—the wheat yielding over 60 bushels per acre, and the oats over 110 bushels per acre.

Last year this farm produced: Wheat, 3,918 bushels; oats, 19,178 bushels; barley, 1,210 bushels; peas, 350 bushels; potatoes, 10,266 bushels; mangels, 6,000 bushels; turnips, 8,966 bushels; and other roots and vegetables.

This is a record of which we are justly proud as all this work has been done by prison labour.

Besides this work prisoners have graded over 100 miles of trunk roads throughout the district adjacent and kept them in good repair year by year—the prisoners working out at the road camps being practically at large and placed directly on their honour, and in very few cases during the past five years have they abused the confidence placed in them. The authorities have worked 25 men at these road camps all season and have paid them 50c a day for this work. This money is sent to their families or kept for them until their release and in this respect we are more advanced than any other similar institution in Canada.

I think it only right and proper that this House should realize that here in Alberta we are as far advanced in prison reform and in the treatment of this unfortunate class as in any other Province of this Dominion or any States of the adjoining Union, and that the men committed to these institutions are given not only fair treatment but an opportunity to reform and start life afresh better men physically, mentally and morally.

Work along the same up-to-date lines is being carried on and will be similarly developed at the Fort Saskatchewan institution.

CONCLUSION

Now, I have gone rather exhaustively into the various matters connected with the administration of the finances of this Province during the year 1915 and have set out as much in detail as time will permit our policy with respect to 1916. There are a good many other things that I intended to say today but so much time has been taken up that I hesitate to say more and, consequently, will bring my remarks in connection with the financial position of the Province to a close, and can only say in conclusion that I think from the statement which has been laid before you that the Province has emerged from the year 1915—notwithstanding the deficit which I have announced of something over \$500,000.00, in a fairly satisfactory condition when it is taken into consideration that the amount of revenue which we have collected together with what was earned in that year but not collected would have amounted to something over \$200,000.00 more than we actually spent in that year. That on its face shows we are not spending extravagantly or going beyond what we earn.

Then with respect to the year 1916 I have shown you that we estimate an income in the sum of \$72,000.00 in excess of what our proposed expenditures may be. I have referred to the fact that we had deferred revenue in 1915 more than sufficient to meet our over expenditure. There is no great necessity for curtailment in so far as necessary expenditures are concerned. How long we will be able to continue that condition of affairs I do not know. If things do not change the time may come when we will from necessity have to eliminate certain expenses of the public services. So far as civil government is concerned there has been no sweeping reduction in salaries, no great change in the number of employees except in some cases, where there was falling revenue. For instance, in the Land Titles Office our revenue fell away and there was a corresponding reduction in the staff. If you will compare the estimated expenditure in these offices for 1916 you will see that we have taken notice of our falling revenue and reduced our expenditures accordingly. Similarly we have reduced our expenditures in branches of the service where we know our revenue is going to drop, but there are other branches where our revenues will increase. There are branches such as the Education Department where we will have to keep on with the same policy from year to year and it will be necessary for us to increase the amount devoted to that service. There is the Municipal Department which recently had placed on it the additional work in connection with the Wild Lands Tax. In the Treasury Department this year there is an increase in the amount asked for and that is due to the fact that the Insurance and Succession Duties Branch is now placed on a separate footing and will be more aggressively carried on and a much larger revenue will in future be obtained than has hitherto been the case. But there are some branches of the service which must be curtailed in the immediate future or we must seek some additional revenue to enable us to carry them on. For instance the School Grants are very heavy indeed. There is no intention at the present time of reducing these; these are grants which should be kept up to the maximum if it is at all possible to do so. There are grants to agricultural fairs—these run into a very large amount of money indeed—and there are various other expenditures in the Agricul-

tural Department all of which are in themselves good and none of which I would care to take the responsibility of eliminating because nearly every expenditure in this Department is absolutely necessary in the interests of the development of agriculture in this Province, and this Government has set before itself the task of developing agriculture to the highest possible point. Similarly I might go through the other branches of the service and show where very heavy drafts are being made on our financial resources for services, all of which are good, and I challenge the Opposition to show in any one of the Departments of the public service, where large grants are being made, any item of expenditure that would be a proper one to eliminate. My object in connection with these estimates this year has been so far as possible to keep our expenditures not only for civil government but in other respects down to the lowest possible point. We have gone over them time and again seeking here and seeking there a possible place to curtail the expenditures. On the other hand I endeavored without conflicting with the interests of the people of the Province to secure as large a measure of revenue as will enable us to carry out the expenditures we have provided for and I believe that perusal of the estimates will show that so far as the larger and more essential expenditures are concerned that they are all absolutely necessary; that they are in the interests of this country; that there is no money going to waste; that the whole of it is devoted to the common good of the people of this Province and that it is being spent in an economical and equitable manner.

STATEMENT NO. 1.

ESTIMATED YIELD AND VALUE OF AGRICULTURAL PRODUCTS, 1915

	Acreage	<i>12,480,150</i> Bushels	Yield per Acre	Price	Revenue
Wheat, S.	1,200,000	42,000,000	35.00	\$.85	\$35,700,000.00
Wheat, W.	45,000	1,575,000	35.00	.85	1,338,750.00
Oats	1,450,000	65,250,000	45.00	.35	22,837,500.00
Barley	420,000	14,700,000	35.00	.50	7,350,000.00
Flax	50,000	600,000	12.00	1.35	810,000.00
Rye	17,500	612,000	35.00	.70	428,750.00
Speltz <i>3,184,500</i>	2,000	64,500	32.00	.70	<i>45,150.00</i>
Hay	100,000	200,000 tons	2 tons	10.00	2,000,000.00
Potatoes	45,000	9,000,000	200.00	.35	3,150,000.00
Turnips	16,000	3,200,000	200.00	.20	640,000.00
Carrots	5,500	1,100,000	200.00	.30	330,000.00
Animals Slaughtered and Sold					20,500,000.00
Butter, Eggs and Milk					11,000,000.00
Wool Clip, (1,750,000 lbs. @ 27c)					472,500.00
Fish					250,000.00
Game and Furs					1,000,000.00
Horticultural Products					150,000.00
Poultry and Products					3,000,000.00
					<i>26,372,500</i>
				1915....	\$111,002,650.00
				1914....	78,516,891.00
				Increase	\$32,485,759.00

BUDGET SPEECH OF

Live Stock	Number	Price	Value in \$
Horses	620,000	\$100.00	\$62,000,000.00
Swine	400,000	10.00	4,000,000.00
Sheep	525,000	5.00	2,625,000.00
Dairy Cows	210,000	50.00	10,500,000.00
Other Cows	175,000	40.00	7,000,000.00
Beef Cattle	200,000	50.00	10,000,000.00
Other Cattle	540,000	25.00	14,000,000.00
		1915....	\$110,625,000.00
		1914....	110,425,335.00
		Increase	\$199,665.00
	Total Increase		\$32,685,424.00

STATEMENT NO. 2

INCOME ACCOUNT, 1915.

Revenue:

Dominion Subsidy	\$1,589,075.00	
Seed Fairs	3,357.70	
School Lands	258,913.69	
Treasury Department	270,636.46	
Attorney-General's Department	878,227.84	
Provincial Secretary's Department.....	399,356.55	
Public Works	39,820.80	
Education Department	13,993.35	
Agriculture Department	105,913.47	
Agriculture Department (Dairy Branch) .	236,172.18	
Municipal Affairs	331,214.80	
Legislative Assembly	1,735.00	
Executive Council	1.20	
Government Printer	9,243.37	
Telephone Department	999,549.83	
Miscellaneous	6,378.77	
		\$5,143,590.01

Expenditure:

Public Debt	\$768,093.95	
Civil Government	485,528.45	
Legislation	119,483.97	
Administration of Justice	733,649.94	
Public Works	553,962.52	
Education Department	907,407.56	
Agriculture and Statistics	377,112.38	
Agriculture (Dairy Branch)	236,811.59	
Hospitals, Charities, etc.	111,860.11	
Public Institutions	227,623.29	
Municipal Affairs	982.45	
Miscellaneous	204,582.94	
Telephone Department	971,657.13	
Remissions	4,935.91	
Government Printer's Advance	10,339.75	
		\$5,714,031.94
	Deficit....	\$ 570,441.93

STATEMENT NO. 3

INCOME ACCOUNT

(1916 Estimated)

Revenue:

Dominion Subsidy	\$1,589,075.00	
School Lands Fund	230,000.00	
Treasury Department	398,350.25	
Attorney-General's Department	660,000.00	
Provincial Secretary's Department	447,300.00	
Public Works	38,848.00	
Education Department	17,500.00	
Agriculture Department	115,875.00	
Agriculture Department (Dairy Branch)	250,000.00	
Railways and Telephones	1,100,000.00	
Municipal Affairs	1,222,992.40	
Legislative Assembly	1,800.00	
Government Printer	8,000.00	
Public Utilities	5,000.00	
		<u>\$6,084,740.65</u>

Expenditure:

Public Debt	\$950,000.00	
Civil Government	520,440.00	
Legislation	113,875.00	
Administration of Justice	754,920.00	
Public Works	614,740.00	
Education	1,037,710.00	
Agriculture and Statistics	375,000.00	
Agriculture (Dairy)	250,000.00	
Hospitals, Charities and Public Health..	114,500.00	
Telephones	980,000.00	
Public Institutions	237,000.00	
Municipal Affairs	2,650.00	
Miscellaneous	61,000.00	
		<u>\$6,011,835.00</u>
	Surplus	<u>\$ 72,905.65</u>

STATEMENT NO. 4

INCOME ACCOUNT

Revenue:

	1915 Actual	1916 Estimated	Increased Rev. 1916	Decreased Rev. 1916
Dominion Subsidy	\$1,589,075.00	\$1,589,075.00		
Seed Fairs	3,357.70			\$3,357.70
School Lands	258,913.69	230,000.00		28,913.69
Treasury Department	270,636.46	398,350.25	\$127,713.79	
Attorney-General's Dept...	878,227.84	660,000.00		218,227.84
Prov. Secretary's Dept. ...	399,356.55	447,300.00	47,943.45	
Public Works	39,820.80	38,848.00		972.80
Education Department ...	13,993.35	17,500.00	3,506.65	
Agriculture Department ...	105,913.47	115,875.00	9,961.53	
Do. (Dairy Branch)	236,172.18	250,000.00	13,827.82	
Municipal Affairs	331,214.80	1,222,992.40	891,777.60	
Legislative Assembly	1,735.00	1,800.00	65.00	
Executive Council	1.20			1.20
Government Printer	9,243.37	8,000.00		1,243.37
Telephone Department ...	999,549.83	1,100,000.00	100,450.17	
Miscellaneous	6,378.77			6,378.77
Public Utilities Comm. ..		5,000.00	5,000.00	
	<u>\$5,143,590.01</u>	<u>\$6,084,740.65</u>	<u>\$1,200,246.01</u>	<u>\$259,095.37</u>

Expenditure:

			Expenditure Under 1915	Expenditure Over 1915
Public Debt	\$768,093.95	\$950,000.00		\$181,906.05
Civil Government	485,528.45	520,440.00		34,911.55
Legislation	119,483.97	113,875.00	\$5,608.97	
Administration of Justice .	733,649.94	754,920.00		21,270.06
Public Works	553,962.52	614,740.00		60,777.48
Education Department ...	907,407.56	1,037,710.00		130,302.44
Agriculture and Statistics.	377,112.38	375,000.00	2,112.38	
Do. (Dairy Branch)	236,811.59	250,000.00		13,188.41
Hospitals, Charities, etc ..	111,860.11	114,500.00		2,639.89
Public Institutions	227,623.29	237,000.00		9,376.71
Municipal Affairs	982.45	2,650.00		1,667.55
Miscellaneous	204,582.94	61,000.00	143,582.94	
Telephone Department ...	971,657.13	980,000.00		8,342.87
Remissions	4,935.91		4,935.91	
Govt. Printer's Advance ..	10,339.75		10,339.75	
	<u>\$5,714,031.94</u>	<u>\$6,011,835.00</u>	<u>\$166,579.95</u>	<u>\$464,383.01</u>

SUMMARY

Deficit 1915	\$570,441.93
Add Estimated amount by which 1916 expenditure exceeds 1915	297,803.06
	<u>\$868,244.99</u>
Estimated revenue in excess of 1915	941,150.64
	<u>\$ 72,905.65</u>

STATEMENT OF ARREARS, 1915

Name	Amount	
Wild Land Tax	\$542,992.40	(Estimated)
Educational Tax	40,000.00	(Estimated)
Corporation Tax	4,880.00	(Actual)
Succession Duties	160,921.45	(Actual)
	<u>\$748,793.85</u>	

STATEMENT REGARDING PUBLIC DEBT, 1916

GENERAL REVENUE

Interest Charges	\$848,783.00	
Sinking Fund	87,284.00	
Miscellaneous	13,933.00	
		\$950,000.00
Deduct Charges on Revenue Producing Portion of Debt:		
Interest Charges, Elevator Debt	45,000.00	
Interest Charges, Central Canada Loan	100,000.00	
Interest Charges, Demonstration Farms and Advances to School Districts	18,000.00	
Sinking Fund	17,000.00	
		180,000.00
Balance, representing the interest on the portion of Public Debt, necessitated by Public Buildings and other non- revenue producing assets		\$770,000.00

